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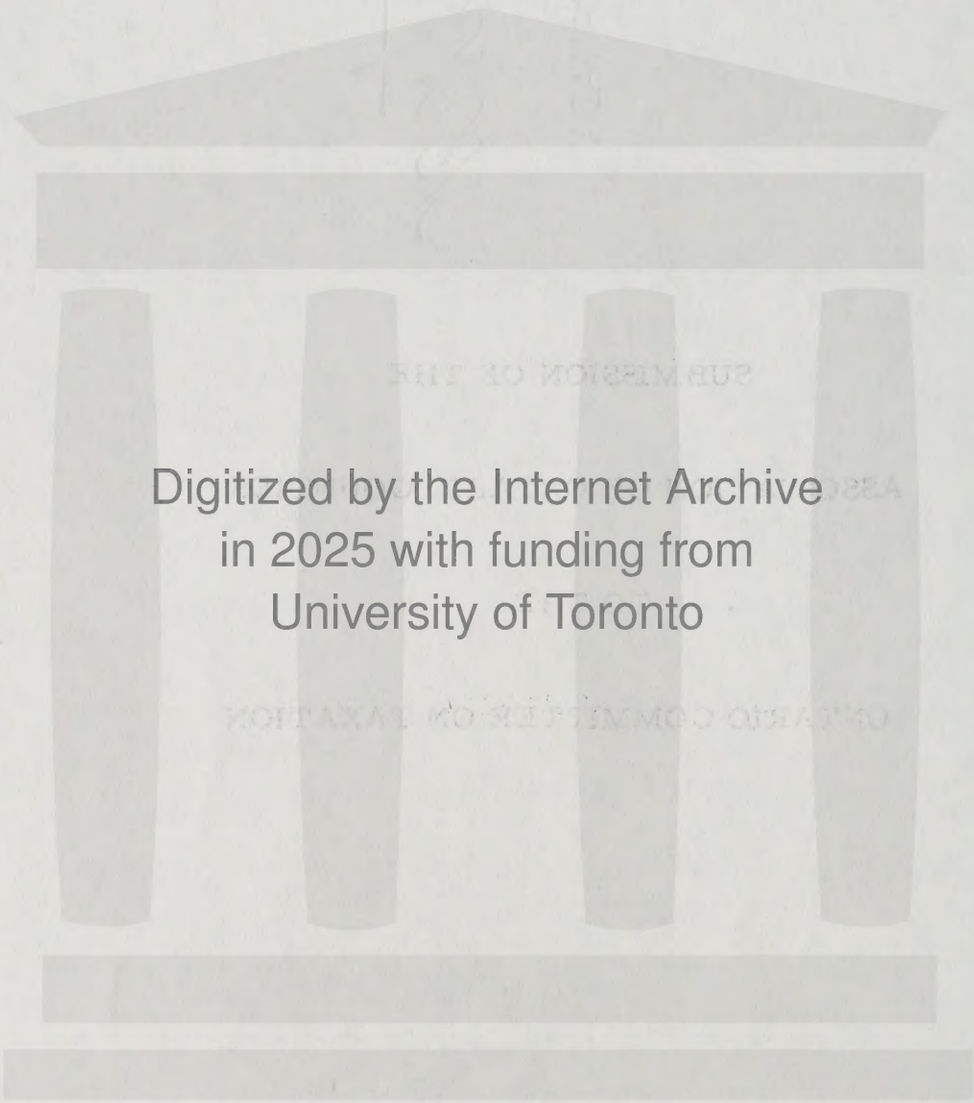
SUBMISSION OF THE

ASSOCIATION OF ONTARIO COUNTIES

TO THE

ONTARIO COMMITTEE ON TAXATION



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SUBMISSION OF THE
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TO THE
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Municipal taxation and the basis of the valuation on which such taxation is made are concerns of the Association of Ontario Counties, the organization which represents thirty of the thirty-eight administrative counties in the Province of Ontario. Although the County is not a taxing unit, it is aware of the impact made on its member municipalities by the increasing cost of local government. Especially is this the case in the southern tier of Counties where they have experienced the greatest demands for improved and extended public services since the Second World War.

This brief submission to the Ontario Committee on Taxation presents the views of this Association regarding: (a) municipal taxation, and (b) the equitable distribution of this taxation on real property. It is the opinion of this organization that any serious evaluation of the present tax system must involve consideration of the existing municipal structure in the Province of Ontario. The County could form a basis for a regional form of government to equalize the burden of local taxation on real property.

ASSESSMENT PROCEDURES

The primary problem, the Association submits, arises from the variation of assessment procedures as practiced by the 978 municipalities within the Province. With so many provincial grants tied to assessment, the inequality and resultant unfairness is aggravated severely.

The assessment values set against each parcel of real property form the base for the distribution of the cost of municipal

services. The equality of burden being borne by each property is synonymous with the equality of the methods used to arrive at these assessment values. Despite the introduction of assessment manuals, designed to provide for an equitable method of assessment, the variations in methods of assessment used today are almost as varied as there are assessors in the Province.

The ultimate solution to this problem, in the opinion of the Association, is a uniform method of assessment across the Province. As a practical first step in the implementation of this goal, it recommends that assessment be handled on a regional basis with the county constituting a region for this purpose. The reduction of variations in assessment procedures from over 900 to 38 would eliminate many existing inequalities. Further, the Province should prepare a new assessment manual based on more current valuations of real property.

EDUCATIONAL COSTS

The greatest single problem facing municipalities today is the cost of education. The rapid post-war development in Ontario with its additional demands for services by the municipalities has created an everspiralling increase in the taxation on real property. The provision and maintenance of better education facilities and the staffing of them has, in many areas, reached the point where more than one-half of the total taxes levied against real property is for educational purposes only. Because of this onerous burden being placed on real property by education, numerous small towns and townships are neglecting other public services or are being compelled to debenture these expenditures rather than paying for them from current revenues. This heavy capital borrowing has as grave implications for municipalities as has extreme credit financing for individuals.

The burden on real property continues to increase despite

the provision of larger educational grants from the provincial treasury. It is the opinion of this Association that real estate is paying an unfair share of educational costs and that the senior levels, having as they do many more sources of revenue, should contribute more substantially than they have in the past.

These modern educational plants which are being provided at the municipal level are creating not only a local asset but a national asset of better trained and more highly qualified citizens. This then places part of the responsibility for the cost of educating these persons on a level higher than that of the local municipality since it is the country as a whole which benefits. In view of these premises, it is the opinion of this Association that real property should not bear more than 50 percent of the gross costs of education, be it on a local or regional basis.

As a further step towards the more equitable distribtuion of real property taxes, it is suggested by this Association that all elementary and secondary school taxes be raised through a county taxation system. This recommendation is based on the premise that the assessment procedures of all municipalities in a county, including cities, would have been standardized so that a true equalization of assessment could result. This would provide a more stable tax base. The ever increasing educational costs imposed on the residential assessment of the so called "dormitory" municipalities outside industrial areas would be spread across the county with those municipalities having a high industrial and commercial assessment assuming what, in the opinion of the Association, would be their fair share.

BUSINESS TAX

The Association of Ontario Counties recommends the

elimination of the Business Tax. This tax, levied in many cases against a tenant on a property, bears no relation to the amount of business being transacted or revenue earned. Calculated as a fixed percentage of the assessed value of the real property, this tax penalizes the business man or corporation who although occupying better premises does not receive any greater benefits than do those who occupy less valuable property. A much fairer way to tax any business operation is through income tax. However, this Association is reluctant to suggest that the municipalities enter the income tax field.

The loss in reveuue to the municipalities could be made up by an increase in the unconditional grants. While recognizing the reasons for the dual mill rate, the Association points out that these separate mill rates now being levied for residential and farm properties and for commercial and industrial properties are awkward to administer. The dual mill rate is especially cumbersome in townships with a large number of school areas. The mechanics of this operation should be streamlined.

REVENUE SOURCES

Since the Association accepts the hypothesis that taxation is a contribution by an individual to government for the services provided by the state, it contends that additional revenues could and should be obtained more fairly by increases in sales, corporation and income taxes. Rather than compounding the confusion by recommending that the municipalities enter these fields, the Association is of the opinion that the municipalities should continue to rely on real property taxes, together with unconditional grants from the senior levels of government.

The Association strongly advocates greater co-operation in the collection and distribution of tax dollars among the three levels of

government. The load on real property for the provision of public services should be lightened by additional revenues from federal and provincial authorities. These grants are neither gifts nor charitable donations as some senior government spokesmen seem to suggest, but are the local government's fair share of revenues collected from the broader sources available to the senior taxing bodies.

The entire grants' system should be scrutinized carefully and revised in many instances. It is the result of piecemeal legislation rather than of a comprehensive appraisal of the present day needs of municipalities. Finally, the Association recommends that the unconditional grants should be unconditional with responsibility for their disbursement resting with the local elected representatives.

SUMMARY OF BRIEF

1. Assessment procedures should be uniform across the province with the county, cities and separated towns comprising a region for the implementation of the latest legislation.

2. Federal and provincial governments should assume a minimum of 50 percent of the total education costs of a municipality or area. The municipality's share should be raised by a county levy.

3. Business tax should be eliminated. The lost revenue to the municipalities should be provided by increased iunconditional grants from the senior levels of government. The administration of the dual mill rate should be simplified.

4. Municipalities should rely on real property taxation for their main source of revenue with increases in sales, corporation and income taxes by the senior government levels to provide additional grants to the municipalities.